

STATE OF MONTANA
DEPARTMENT OF LABOR AND INDUSTRY
JOB SERVICE DIVISION
UNEMPLOYMENT INSURANCE DIVISION
CENTRALIZED SERVICES DIVISION

Report on Audit

Conducted Under Contract By
Newland, Horn, Crippen & Peck, P.C.
Certified Public Accountants

Two Fiscal Years Ended September 30, 1982

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Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
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ROBERT R. RINGWOOD
LEGISLATIVE AUDITOR

December 1982

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The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Department of Labor,
Employment Security Division, for the two federal fiscal years
ended September 30, 1982.

The audit was conducted by Newland, Horn, Crippen and Peck, P.C.,
under a contract between the firm and our office. The comments and
recommendations contained in this report represent the views of the
firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

Robert R. Ringwood
Robert R. Ringwood
Legislative Auditor



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ADMINISTRATIVE OFFICIALS

DEPARTMENT OF LABOR AND INDUSTRY

David Hunter

Commissioner

JOB SERVICE DIVISION

T. Gary Curtis

Administrator

UNEMPLOYMENT INSURANCE DIVISION

Harold V. Kansier

Administrator

CENTRALIZED SERVICES DIVISION

Chester C. Rusek

Administrator

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report, we include a listing of all recommendations, together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto, and also as a ready reference to the supporting comments. The full reply of the Department of Labor and Industry is included in the back of this report.

	<u>Page</u>
1. Obtain U. S. Department of Labor approval prior to issuance of bonds.	5
<u>Agency Reply:</u> Concur. See page 51.	
2. Obtain written authorization from the U. S. Department of Labor for all transfers of expenses between project codes.	6
<u>Agency Reply:</u> Concur. See page 51.	
3. Take appropriate measures in keeping the Trust Fund solvent.	7
<u>Agency Reply:</u> Concur. See page 52.	
4. Apply the approved overhead allocation consistently for all programs.	7
<u>Agency Reply:</u> Concur. See page 52.	
5. (A) Request from the long range building program prior principal payments when it is determined that the buildings will not be constructed.	8
<u>Agency Reply:</u> Concur. See page 52.	
5. (B) Insure that on future bond sales that interest income is credited to the department.	8
<u>Agency Reply:</u> Concur. See page 52.	
6. Obtain prior written U. S. Department of Labor approval for recording costs as resources on order which may not coincide with established criteria.	9
<u>Agency Reply:</u> Concur. See page 53.	
7. Insure that programmers are properly supervised at all times and that systems maintenance procedures are strictly enforced.	10
<u>Agency Reply:</u> Concur. See page 53.	

SUMMARY OF RECOMMENDATIONS - CONTINUED

		<u>Page</u>
8. (A)	Insure the disaster backup and recovery plan is finalized and satisfies all department systems backup and recovery needs.	10
	<u>Agency Reply:</u> Concur. See page 53.	
8. (B)	Consider utilizing fire detection and protection devices in the computer room.	10
	<u>Agency Reply:</u> Concur. See page 53.	
9.	Develop and maintain adequate documentation, including user manuals, for systems currently in production and for all new systems.	11
	<u>Agency Reply:</u> Partially concur. See page 53.	
10.	Implement procedures whereby the daily output of employer account activity is reviewed and reconciled by a key employee not involved with input.	11
	<u>Agency Reply:</u> Concur. See page 54.	
11.	Study the feasibility of utilizing the state's computer for processing CETA and WIN payments.	12
	<u>Agency Reply:</u> Concur. See page 54.	
12.	Record the check numbers of checks pulled for subsequent verification.	12
	<u>Agency Reply:</u> Concur. See page 54.	
13.	Instruct the local offices to insure that all wage information during the "waiting week" is obtained in the interview process.	13
	<u>Agency Reply:</u> Concur. See page 54.	
14. (A)	Consider reevaluation of the cross-match selection criteria.	14
	<u>Agency Reply:</u> Concur. See page 55.	
14. (B)	Implement follow-up procedures to investigate non-responding employer's questionnaires.	14
	<u>Agency Reply:</u> Concur. See page 55.	
15.	Implement procedures to include interstate claimants in the current cross-match.	15
	<u>Agency Reply:</u> Concur. See page 55.	

SUMMARY OF RECOMMENDATIONS - CONTINUED

		<u>Page</u>
16.	Insure that employer wage reporting problems disclosed in the fraud detection section are reported to the employer audit section for follow-up.	15
	<u>Agency Reply:</u> Concur. See page 55.	
17.	Consider coordinating with other state agencies the performance of audits on out-of-state employers doing business in Montana.	16
	<u>Agency Reply:</u> Concur. See page 55.	
18.	Implement proper cash cut-off procedures.	16
	<u>Agency Reply:</u> Concur. See page 56.	
19. (A)	Insure that stop-pays are on the computer file for each claimant included in accounts receivable.	17
	<u>Agency Reply:</u> Concur. See page 56.	
19. (B)	Insure that the accounts receivable clerk receives all information related to account changes.	17
	<u>Agency Reply:</u> Concur. See page 56.	
19. (C)	Develop monthly subsidiary listings supporting accounts which have been transferred to the Department of Revenue and those which are retained by the department.	17
	<u>Agency Reply:</u> Concur. See page 56.	
20.	Revise combined wage claim billings to reflect any revised determinations.	18
	<u>Agency Reply:</u> Concur. See page 57.	
21. (A)	Rectify the alledged overpayment with the individual and not allow situations such as this to occur in the future.	19
	<u>Agency Reply:</u> Concur. See page 57.	
21. (B)	Continue to consult with the Department of Revenue in turning CETA and WIN overpayments over to them.	19
	<u>Agency Reply:</u> Concur. See page 57.	
22.	Determine the most informative and logical year-end for reporting purposes.	19
	<u>Agency Reply:</u> Concur. See page 57.	

COMMENTS

GENERAL

We performed a financial compliance audit of the Job Service, Unemployment Insurance and Centralized Services Division (the Divisions) of the Department of Labor and Industry for the two federal fiscal years ended September 30, 1982. The objectives of the audit were to: (1) determine if the Division's financial statements present fairly the financial position of the Divisions for the two fiscal years ended September 30, 1982; (2) determine the Division's compliance with applicable state and federal rules and regulations; (3) make recommendations for improving the Division's management and internal controls; and (4) determine whether prior report audit recommendations have been effectively implemented.

The Divisions are financed from tax contributions made by Montana employers and money received from the federal government. The Divisions spent \$72,193,898 during the fiscal year 1980-81, and \$85,322,839 during the fiscal year 1981-82 for unemployment benefits, administration, and employment service programs.

Prior to October 1, 1981, the Divisions were known as the Employment Security Division (ESD) which was comprised of three bureaus: The Unemployment Insurance Bureau handling unemployment benefit payments and the unemployment trust fund; the Employment Service Bureau handling job service, job referral, testing and counselling, and training programs; and the Administrative Services Bureau performing service functions for the other bureaus. Each bureau was headed by a deputy administrator.

Pursuant to Chapter 349 of the 1981 Session Laws and effective October 1, 1981, the Department of Labor and Industry was reorganized and ESD eliminated. The current Job Service, Unemployment Insurance, and Centralized Services Divisions perform substantially the same functions as the Employment Service, Unemployment Insurance and Administrative Services Bureaus did prior to reorganization. Presently, each division is headed by an administrator.

GENERAL - cont.

We thank the department's staff for their cooperation and assistance during our audit.

BACKGROUND

State Employment Security Agency Accounting System

The U. S. Department of Labor requires that all state employment security agencies submit reports produced by the federally sponsored State Employment Security Agency (SESA) accounting system. In addition, the department is required by state statute to record financial transactions on the Statewide Budgeting and Accounting System (SBAS). An inherent problem with this double recording system is that the federal fiscal year ends September 30th while the state fiscal year ends June 30th.

The department transaction detail is reported primarily on the SESA accounting system with daily or monthly totals recorded on SBAS. Administrative expenditures transaction detail is reported on SBAS and on SESA. We audited the transaction detail on both systems, and also reconciled the detail to the totals reported on both of the systems. In this way, we assured ourselves that both systems were reporting the same activity.

Although the SESA system does not provide information in generally accepted accounting principles financial statement format, department personnel were able to prepare financial statements in the proper format.

Trust Fund

Montana employers pay an unemployment insurance tax on wages paid to an employee during the calendar year. Unemployment insurance taxes were paid on the first \$7,800 and \$8,000 of an employee's wages during calendar year 1981 and 1982 respectively. The department collects the tax and transfers the funds to a Trust Fund account in the U. S. Treasury system. Money is withdrawn from the Trust Fund account as unemployment benefits are paid.

Trust Fund - cont.

The unemployment insurance tax rate charged to an employer may vary each calendar year. Two factors are involved in determining the tax rate charged. The first is the employer's experience rating. The experience rating is based on an employer's actual experience in the payment of contributions and benefits charged against his account. The second is related to the schedule of rates assigned to the calendar year. The schedule assigned is based on the ratio of the Trust Fund balance to total covered wages of the previous 12-month period.

The following schedule shows the Unemployment Trust Fund balance at fiscal years ended September 30, 1980, 1981 and 1982. The decrease in the Trust Fund balance is discussed more fully on pages 6 and 7 of this report.

	<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>
Cash	\$26,538,134	\$26,741,553	\$14,112,068
Less loan out- standing	(<u>7,084,089</u>)	<u>-0-</u>	<u>-0-</u>
Account balance - Surplus	<u>\$19,454,045</u>	<u>\$26,741,553</u>	<u>\$14,112,068</u>

INTERNAL CONTROL

We examined the financial statements of the Department of Labor and Industry, Job Service, Unemployment Insurance and Centralized Services Divisions for the two fiscal years ended September 30, 1982. As part of our examination, we evaluated the department's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted accounting standards. The purpose of our evaluation was to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide management with reasonable, but not absolute, assurance that 1) assets are safeguarded against loss from unauthorized use or disposition, 2) transactions are

INTERNAL CONTROL - cont.

executed in accordance with management's authorization, and 3) financial records are reliable for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived. It also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

For the purposes of this report, we have classified significant controls in the department's accounting system in the following categories:

1. Purchasing, disbursements, benefits, allowances.
2. Revenue, receipts, employer contributions.
3. Cash.
4. Plant, property and equipment.
5. Accounts receivable and payable.

We evaluated the significant controls identified in the above categories. Other auditing procedures were applied to long-term debt and due to and due from funding source maintained by the department.

Our examination, made for the limited purpose described in the first paragraph, would not necessarily disclose all weaknesses in the system of internal accounting control. It was based upon selective tests of accounting records and related data. Accordingly, we do not express an opinion on the system of internal accounting control of the department taken as a whole. Our evaluation disclosed no condition that we believe to be a material weakness. However, those internal control weaknesses identified during the audit which warrant management's attention are described in various sections of this report.

These conditions were considered in determining the nature, timing, and extent of the audit tests of the financial statements and this report does not affect our opinion on the financial statements.

The preceding five paragraphs are intended solely for the use of management and the legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon acceptance by the Legislative Audit Committee, is a matter of public record.

QUESTIONABLE INTEREST EXPENSE

Office of Management and Budget (OMB) Circular 74-4, Attachment B(7) states, in part, that an unallowable cost for federal reimbursement is the payment of interest expense except when the department obtains grantor approval prior to the issuance of bonds. Approval is necessary to show the grantor, the U. S. Department of Labor, that purchasing is cost effective over renting. The department cannot make these decisions on their own.

The department did not obtain this approval for two new bonds issued during our audit period. The department expended \$260,259 on these two issues and, therefore, we have questioned these interest costs for federal reimbursements.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT OBTAIN U. S. DEPARTMENT
OF LABOR APPROVAL PRIOR TO ISSUANCE OF BONDS.

EXPENSE ALLOCATION

Department officials were unable to provide us with written documentation for transfers of expenses between programs in the instances listed below:

Fiscal Year 1980-81

\$67,373 was transferred from U.I. Grants (#92101) to E.S. Grants (#92051).

Fiscal Year 1981-82

\$407 was tranferred from CIDS (#96622) to CETA III LMI (#92052).

Written authorization is necessary to determine whether the department

EXPENSE ALLOCATION - cont.

is in compliance with federal regulations. The U. S. Department of Labor recommends that written authorization be obtained for expense transfers. Due to the lack of approval, we have questioned these costs.

RECOMMENDATION

WE RECOMMEND THE DEPARTMENT OBTAIN WRITTEN AUTHORIZATION FROM THE U. S. DEPARTMENT OF LABOR FOR ALL TRANSFERS OF EXPENSES BETWEEN PROJECT CODES.

OVEROBLIGATED SPENDING AUTHORITY

During our audit of the department, we identified some program costs which we considered questionable. Included in these costs are several instances where the department exceeded obligational (spending) authority. Department personnel indicated that these programs received additional obligational authority subsequent to year-end. In our audit, we verified that the additional authority was obtained in all instances. Although the additional authority was forthcoming, we question the legitimacy of obligating funds without existing obligational authority. Listed below are the over-obligated programs by fiscal year:

<u>Program</u>	<u>Fiscal Year 1980-81</u>	<u>Amount Overobligated</u>
96181 Private Industry Council		\$29,797
96191 Pine Hills FLP		1,063
	<u>Fiscal Year 1981-82</u>	
92092 UI/FSC		\$ 13,118
92102 UI Grants		18,488
92242 UCS		110,388
93152 CETA/CEP Title VII		37,244

TRUST FUND BALANCE

As noted on page 3 of this report, the Trust Fund balance has declined over the past fiscal year. We could find no fault in the current employer contributions rate system, however, unemployment benefits paid have increased drastically. Benefits paid were approximately twenty million dollars more in

TRUST FUND BALANCE - cont.

fiscal year 1981-82 than they were in fiscal year 1980-81. Department officials stated that they expect to have to borrow funds from the federal government in about April, 1983. The department should be concerned with the rapid decline of available trust fund dollars.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT TAKE APPROPRIATE MEASURES
IN KEEPING THE TRUST FUND SOLVENT.

ALLOCATION OF OVERHEAD

The allocation of overhead is determined and approved by the grantor agency. We noted that this allocation is not used in all instances. There are several programs, MOES, Work Experience Training Program, CIDS Contract, NAPSIP, Union TAT, and PIC-Project Transition which receive no overhead allocation of costs. Departmental staff have indicated to us that these programs do not receive an allocation because of agreements between the department and the individual programs involved.

All programs require overhead expenditures to administer them. We do not believe that federal dollars should be allocated on the discretion of the department. The approved overhead allocation plan is designed to be used universally. If the allocation is not used universally, then the few select programs do not reflect the true costs of operation and administration, and the other programs, which are under the allocation plan, are receiving additional and undue allocations.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT APPLY THE APPROVED OVER-
HEAD ALLOCATION CONSISTENTLY FOR ALL PROGRAMS.

CAPITAL PROJECTS

The department has been instrumental in the sale of bonds in the state's long range building program for the construction of three local office buildings that are not built nor is there any positive assurance that they will be built.

CAPITAL PROJECTS - cont.

We have addressed the payment of the interest on page 5 of this report. In addition to this, we question whether or not federal moneys should be expended for the principal payments when no buildings exist for which the payments are being made. The principal can be returned to the department from the long range building program upon departmental request.

The local offices in question are to be located in Bozeman, Hamilton, and Polson, Montana. The principal paid during our audit period on these issues was \$121,075. The Bozeman principal was \$56,623 and the Hamilton and Polson issues were \$64,452. The Hamilton and Polson unused bond proceeds are being invested by the State Board of Investments and the earnings turned over to the department. However, the Kalispell unused bond proceeds are not invested for the department.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT:

- A. REQUEST FROM THE LONG RANGE BUILDING PROGRAM PRIOR PRINCIPAL PAYMENTS WHEN IT IS DETERMINED THAT THE BUILDINGS WILL NOT BE CONSTRUCTED; AND
- B. INSURE THAT ON FUTURE BOND SALES THAT INTEREST INCOME IS CREDITED TO THE DEPARTMENT.

RESOURCES ON ORDER

Supplemental schedules on pages 42 through 49 of this report include a column of figures entitled "Resources on Order". Our examination of these amounts disclosed a possible violation of federal regulations. As of September 30, 1982, the department charged \$56,000 to resources on order for potential loss due to a lawsuit. The lawsuit was brought on by former employees who were layed off. It is questionable whether or not resources on order is designed for such charges. Furthermore, the department's attorney has advised us that the possibility of significant financial losses to the department are slim.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT OBTAIN PRIOR WRITTEN U. S. DEPARTMENT OF LABOR APPROVAL FOR RECORDING COSTS AS RESOURCES ON ORDER WHICH MAY NOT COINCIDE WITH ESTABLISHED CRITERIA.

COMPUTER CONTROLS

The Centralized Services Division maintains a data processing section. The data processing section is comprised of three units: (1) Systems and Programming; (2) Production/Operations; and (3) Data Entry. A Remote Job Entry (RJE) station is located at the department with most processing done at the Department of Administration's central facility. The department also has two small business computers.

We performed an audit of the data processing section in compliance with Statement on Auditing Standards Number Three. A discussion of our findings follows:

Systems Maintenance

The data processing section has developed a data processing manual. Contained within this manual are requirements which should be followed when undertaking systems maintenance. Unfortunately, once during our audit period, these requirements were violated. This violation lead to the deletion of approximately one quarter's wage records. The programmer did not properly duplicate wage records prior to testing the program and used improper software language. The lost wage records were not discovered until a couple of months later, at which time they had to be re-entered.

Programmers should not be allowed access to the data base since they usually have the capability of altering existing data. At a very minimum, programmers should be properly supervised when testing programs with "live" data. The data processing manuals are of no use when not followed.

COMPUTER CONTROLS - cont.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT INSURE THAT PROGRAMMERS ARE PROPERLY SUPERVISED AT ALL TIMES AND THAT SYSTEMS MAINTENANCE PROCEDURES ARE STRICTLY ENFORCED.

Disaster Back-up and Recovery

As a result of the prior audit, the data processing section has developed a draft of a disaster recovery and reconstruction plan. Our review of the draft plan disclosed no substantial weakness, other than the department does not have protection of hardware and software against fire and other hazards. Currently, there are no fire detection devices in the department's computer room.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT:

- A. INSURE THE DISASTER BACK-UP AND RECOVERY PLAN IS FINALIZED AND SATISFIES ALL DEPARTMENT SYSTEMS BACK-UP AND RECOVERY NEEDS; AND
- B. CONSIDER UTILIZING FIRE DETECTION AND PROTECTION DEVICES IN THE COMPUTER ROOM.

Documentation

Documentation for the UI benefits, check writing and employer contributions systems is inadequate. Documentation is essential for quality assurance and reliable application controls. System manuals should be maintained by programmers including detailed systems and program flow charts, program descriptions and data file structures.

Currently the department maintains no user manuals for the benefits, contributions and check writing systems. User manuals should be developed to help train users to prepare and handle input transactions and error correction transactions properly. A typical user's manual may contain:

COMPUTER CONTROLS - cont.

a system narrative describing major control features, an overall system flow chart, detailed flow chart of clerical processes, a completed copy of each input document with preparation instructions, a listing of computerized edits performed, the resulting error messages, and instructions for correcting, resubmitting, and balancing the resubmitted items, and a copy of each computer report with a description of its purpose, distribution and retention periods.

RECOMMENDATION

WE RECOMMEND THE DEPARTMENT DEVELOP AND MAINTAIN ADEQUATE DOCUMENTATION, INCLUDING USER MANUALS, FOR SYSTEMS CURRENTLY IN PRODUCTION AND FOR ALL NEW SYSTEMS.

Employer Tax Contributions System

Employees within the employer tax contribution section have the capability of entering, changing, and observing employer data. Changes are documented and approved by the supervisor on "change documents". Each morning the section receives a printout of all employers accounts experiencing activity the prior day. This report is received and verified by an employee who also performs certain input functions. This report is a valuable internal control document and should be received and reconciled to all change documents by a key employee not involved in input.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT IMPLEMENT PROCEDURES WHEREBY THE DAILY OUTPUT OF EMPLOYER ACCOUNT ACTIVITY IS RECEIVED AND RECONCILED BY A KEY EMPLOYEE NOT INVOLVED WITH INPUT.

CETA and WIN Payments

The department utilizes a small business computer to record and produce accounting data and produce checks for CETA and WIN

COMPUTER CONTROLS - cont.

CETA and WIN Payments - cont.

payments. This small computer is completely housed at the department, including input, main frame, and output. Our examination of the controls over this installation revealed certain weaknesses.

The system has no internal controls to prevent duplicate pays or pays extending beyond participant eligibility. Employees in the CETA and WIN section must perform this function by hand, which is very time consuming. The department has the staff in the computer section to develop sound accounting and check writing programs which are adaptable to the state's computer. A study should be made to determine if computer charges utilizing the state's computer would be less than the staff time reductions in the CETA and WIN section.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT STUDY THE FEASIBILITY OF UTILIZING THE STATE'S COMPUTER FOR PROCESSING CETA AND WIN PAYMENTS.

CONTROL OF PREPARED CHECKS

As a result of the prior audit, the department implemented a system of numerical control over printed and mailed checks. The system provides for a reconciliation indicating the number of checks pulled but not the check numbers pulled. Authorization for pulling a check is filed in the claimant's file. The department should record the check numbers of the checks pulled to provide a trail to trace to the authorization.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT RECORD THE CHECK NUMBERS OF CHECKS PULLED FOR SUBSEQUENT VERIFICATION.

WAITING WEEK OVERPAYMENTS

As a result of our examination of benefit payments, we noted that certain overpayments have occurred due to inaccurate information obtained in the interview process at the local offices. According to state law, a claimant must wait one eligible week prior to receiving benefits. The "waiting week" runs from Sunday to Saturday. We noted instances where claimants have interviewed with the local offices in the middle of the week as a result of separation from employment during that week. The "waiting week" then is retroactive back to the prior Sunday. The problem occurs when the local offices fail to obtain from the claimant, wages earned during the "waiting week" and prior to his interview. In several instances these wages will disqualify the claimant during the "waiting week".

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT INSTRUCT THE LOCAL OFFICES TO INSURE THAT ALL WAGE INFORMATION DURING THE "WAITING WEEK" IS OBTAINED IN THE INTERVIEW PROCESS.

FRAUD CONTROL PROGRAM

The department's fraud control section does a considerable amount of cross matching each quarter. They use the same criteria for the cross match as they have for several years. The criteria produces an enormous amount of possible fraud situations. Letters are then sent to the employers to verify employee wage information. If the letters are not returned, no follow-up is performed. Therefore, a number of possible conflict cases are not being investigated. When an employer realizes the department does not follow-up, their opinion that the letter is not important is reinforced and future requests may not be returned.

Department personnel stated that they receive a response to approximately 75% of the letters sent to employers. Because of the time involved in following up and processing the responses received, the department has not established follow-up procedures for no-response letters. Also, by the time they finish

FRAUD CONTROL PROGRAM - cont.

processing the letters that come in for one quarter's cross match, it is time to start on the next cross match.

If the department revised its selection criteria, fewer claimants would be selected. The time saved in processing a reduced number of cases would allow more time for follow-up on all potential fraud cases. It may be possible for the department to identify and prosecute more significant fraud cases if fewer cases were selected in the cross match.

The fraud investigator contends that several smaller offenders are just as detrimental to the state fund as a few larger ones. This contention does contain merit, however, the lack of time for employer follow-up is also an important consideration.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT:

- A. CONSIDER REEVALUATION OF THE CROSS MATCH SELECTION CRITERIA; AND
- B. IMPLEMENT FOLLOW-UP PROCEDURES TO INVESTIGATE NON-RESPONDING EMPLOYERS QUESTIONNAIRES.

INTERSTATE CLAIMS INVESTIGATION

Information concerning interstate claimants drawing benefits paid by other states is maintained at the local offices. There is no record of these claims in the central office. Therefore, they are not included in the quarterly cross match performed by the department. Part V, Section 5678 of the Employment Security Manual states, "The following should be adopted as a minimum fraud investigation program for interstate benefits . . .

- D. A sample check should be conducted at least once every year to determine whether any claimants are concurrently drawing benefits from the agent state and some liable state."

Because there is no record of interstate claimants at the central office,

INTERSTATE CLAIMS INVESTIGATION - cont.

two types of benefit overpayment may occur and go undetected. The first type is where a claimant can draw benefits from another state while employed in Montana. In these cases, the central office would have a record of the claimant's Montana wages from the employer's quarterly reports, but would have no record of benefits the claimant received from another state.

In the second type, a claimant could file for interstate benefits in one local office and file for Montana benefits in a different office. Assuming an eligible claimant had enough wage credits in each state, he could draw benefits from both.

If the central office had the social security numbers for these claimants and information concerning the number of checks the claimant received, frauds of this nature could be detected with minimal additional effort under cross match procedures.

RECOMMENDATION

WE RECOMMEND THE DEPARTMENT IMPLEMENT PROCEDURES TO INCLUDE INTERSTATE CLAIMANTS IN THE CURRENT CROSS MATCH.

EMPLOYER'S QUARTERLY INFORMATION

During the process of cross match verification, the fraud detection section sometimes locates possible employer wage reporting problems. Although these cannot be followed up by the fraud detection section, they could be followed up by the employer audit section. Possibilities of incorrect wage earnings should be reported to the employer audit section for audit follow-up. The cases investigated may not lead to incorrect wage reporting, however, it would allow the audit section another method of employer audit selection.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT INSURE THAT EMPLOYER WAGE REPORTING PROBLEMS DISCLOSED IN THE FRAUD DETECTION SECTION ARE REPORTED TO THE EMPLOYER AUDIT SECTION FOR FOLLOW-UP.

EMPLOYER AUDITS

The department, for funding reasons, does not audit out-of-state employers doing business in Montana. These multistate employers may be underpaying contributions. Increased revenue to the Trust Fund is a positive aspect of out-of-state audits. Coordination with the State Department of Revenue and the Workers' Compensation Division would possibly reduce some of the financial burdens.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT CONSIDER COORDINATING WITH OTHER STATE AGENCIES THE PERFORMANCE OF AUDITS ON OUT-OF-STATE EMPLOYERS DOING BUSINESS IN MONTANA.

CASH CUT-OFF

As an integral part of our audit, we reviewed cash cut-off procedures at September 30, 1982. We noted a general lack of control within these procedures. Although the misstatements of cash, which did occur, did not materially affect the financial statements, we believe that comment is appropriate to correct the problems noted.

Benefit checks prepared and dated September 30, 1982 are not mailed or entered into the accounting records until the following day. Since these checks are dated on the last day of the fiscal year, they should be recorded and disbursed that day.

Employer contributions received on September 30, 1982 were not recorded in the accounting system or recorded as deposits in transit. They were both deposited and recorded in the next fiscal year. Receipts should be recorded in the year received.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT IMPLEMENT PROPER CASH CUT-OFF PROCEDURES.

ACCOUNTS RECEIVABLE

The department maintains accounts receivable in the following areas:

ACCOUNTS RECEIVABLE - cont.

employers' contributions, benefit overpayments, allowance overpayments, and combined wage claims. Our examination of these receivables revealed certain weaknesses.

Benefit Overpayments

When claimants receive overpayments, the department is supposed to place a stop-pay indicator in the claimant computer file. This stop-pay is designed to prohibit any future payments if the claimant were to refile for unemployment. Our examination of these stop-pays revealed that certain files did not contain the stop-pay notice.

We further found that in certain instances, for legitimate reasons, the department will reduce the amount owed by a claimant. Also, the Department of Revenue will transmit funds to the department representing collections of accounts turned over to them. These types of information are not always routed to the accounts receivable clerk and, therefore, the accounts receivable reflect incorrect amounts.

The computerized system which accounts for benefit overpayments, OPACS, contains both receivables which have and have not been turned over to the Department of Revenue. The program attempts to sort out those which are turned over for financial statement purposes since the statements should only report those receivables which are still in the department's possession. The department was unable to back up the computer sort.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT:

- A. INSURE THAT STOP-PAYS ARE ON THE COMPUTER FILE FOR EACH CLAIMANT INCLUDED IN ACCOUNTS RECEIVABLE;
- B. INSURE THAT THE ACCOUNTS RECEIVABLE CLERK RECEIVES ALL INFORMATION RELATED TO ACCOUNT CHANGES; AND
- C. DEVELOP MONTHLY SUBSIDIARY LISTINGS SUPPORTING ACCOUNTS WHICH HAVE BEEN TRANSFERRED TO THE DEPARTMENT OF REVENUE AND THOSE WHICH ARE RETAINED BY THE DEPARTMENT.

ACCOUNTS RECEIVABLE - cont.

Combined Wage Claims

Combined wage claims (CWC) arise when a claimant has wage credits in two or more states. The state in which the claimant files becomes the paying state. The paying state then bills the other state or states for their portion of the benefits. This billing is prepared and based upon the initial determination. A problem occurs if the determination is subsequently revised. For instance, if the wage credits in each state are revised due to after-the-fact information, the percentage of benefits which should be paid by each state should also change. We noted that the department does not change billings to the other state or states when wage credits are revised.

The monetary effect of this cannot be easily determined since the amounts which Montana should pay may be either more or less than what was originally billed. However, the department should revise the CWC billings for any revised determinations.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT REVISE COMBINED WAGE CLAIM BILLINGS TO REFLECT ANY REVISED DETERMINATIONS.

Allowance Overpayments

We noted one instance which we consider poor administration of CETA overpayments. An individual on the accounts receivable listing supposedly received overpayments of CETA funds in the amount of \$1,223. The individual has requested, several times in writing, a hearing to discuss the alleged overpayment occurring in 1978. The department has never given her this hearing, possibly because the department appears to be in fault. This situation must be rectified immediately.

As noted in the prior audit report, CETA and WIN overpayments are not turned over to the Department of Revenue for collection. Department per-

sonnel stated that the Department of Revenue would not accept these accounts since they are federal moneys, unless an agreement is reached from ongoing discussions. Nothing has transpired correcting this situation during our audit period.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

- A. RECTIFY THE ALLEGED OVERPAYMENT WITH THE INDIVIDUAL AND NOT ALLOW SITUATIONS SUCH AS THIS TO OCCUR IN THE FUTURE;
AND
- B. CONTINUE TO CONSULT WITH THE DEPARTMENT OF REVENUE IN TURNING CETA AND WIN OVERPAYMENTS OVER TO THEM. THIS ACTION WILL HELP TO IMPROVE COLLECTION EFFORTS.

REPORTING YEAR

As noted in the general comments section of this report on pages one and two, the Department of Labor and Industry has undergone a reorganization. Although not within the scope of this audit, the department has undergone changes in addition to those discussed on the above referenced pages. The Labor Standards, Personnel Appeals and Human Rights Divisions have been consolidated into one reporting agency. This agency, subsequent to June 30, 1982, included the divisions within the scope of our audit. Currently these divisions, outside the scope of our audit, have a reporting year-end of June 30th as does the rest of the State of Montana. The department should now determine, with all things considered, whether or not the September 30th reporting date is still a viable alternative. Consideration should also be given to the upcoming State of Montana financial statements which will be issued on the June 30th reporting year.

RECOMMENDATION

WE RECOMMEND THAT THE DEPARTMENT DETERMINE THE MOST INFORMATIVE AND LOGICAL YEAR-END FOR REPORTING PURPOSES.

FEDERAL COMPLIANCE

The department receives almost all of their funding from federal sources. Office of Management and Budget (OMB) Circular A-102, Attachment P, establishes audit requirements for state and local governments receiving federal assistance. Attachment P provides for independent audits of financial operations, including compliance with certain federal laws and regulations. We performed an audit of the Department of Labor and Industry, Job Service, Unemployment Insurance and Centralized Services Divisions in accordance with the standards of OMB Circular A-102, Attachment P.

We reviewed the major compliance areas in the federal programs depicted in the schedules on pages 42 through 49 of this report for the two fiscal years ended September 30, 1982, except for CETA which was audited for one fiscal year ended September 30, 1982. CETA was audited previously by other auditors for the fiscal year ended September 30, 1981. Areas reviewed include:

1. Eligibility determination.
2. Internal control and reporting systems.
3. Monitoring of subgrantees.
4. Meeting federal objectives.
5. Cost allowability.

During our review we noted compliance problems in the following areas:

- A. Questionable interest expense.
- B. Overobligation of spending authority.
- C. Questionable expenditure transfers.

We determined the effects of noncompliance on program accomplishments and the allowability of costs. In the body of our audit report, we discuss compliance and internal control problems requiring disclosure in accordance with Attachment P. Compliance deficiencies deemed not to have significant

effect on the successful operations of the department programs are not specifically included in the report, but have been discussed with management. Nothing came to our attention that causes us to believe untested compliance issues are not in accordance with applicable laws and regulations except for those listed above.

As a result of our review, it is our opinion that the deficiencies noted did not significantly affect the successful operation of the programs, however, the deficiencies did significantly affect allowability of costs in conformity with program regulations.

PRIOR REPORT RECOMMENDATIONS

The prior audit of then the Employment Security Division, was performed by the Office of the Legislative Auditor. It contained fifteen recommendations. Listed below is a summary of those recommendations and whether or not the department has implemented, partially implemented or not implemented the recommendations:

<u>Recommendations</u>	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
1(A). Re-evaluate the cross match selection criteria.			X
(B). Implement follow-up procedures to investigate selected potential fraud cases.			X
2. Implement procedures to include interstate claimants in the current cross match.			X
3. Seek legislative clarification of the eligibility determination statute.	X		
4(A). Properly charge the benefit program the claimant is eligible for.	X		
(B). Retroactively adjust payments which were made prior to the revised monetary determinations to reflect the proper programs to be charged.	X		

PRIOR REPORT RECOMMENDATIONS - cont.

<u>Recommendations</u>	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
4(C). Review monetary determination revisions to insure that appropriate program charges are made.	X		
5. Issue benefit checks only upon receiving a certified and qualified UI-203 pay card.	X		
6. Maintain a number control and accountability system for checks being processed.		X	
7(A). Limit access to data files and programs to those individuals authorized to maintain them.	X		
(B). Develop and maintain adequate documentation, including user manuals, for systems currently in production and for all new systems.			X
8(A). Establish adequate review procedures to insure compliance with record retention schedules.	X		
9(A). Maintain a log of movement of blank checks.	X		
(B). Require persons receiving printed checks from the I/O controller to sign for them.	X		
10. Design controls in the employer contribution system to insure input to the system is correctly processed.	X		
11. Update the cost accounting system documentation.		X	
12. Establish adequate controls in the benefits application to insure that all errors are corrected and resubmitted.	X		
13. Obtain written authorization from the U. S. Department of Labor for all transfers of expenses between project codes.			X

PRIOR REPORT RECOMMENDATIONS - cont.

<u>Recommendations</u>	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
14(A). Provide adequate training and supervision to enable employees to perform effectively on accounts receivable.		X	
(B). Properly record combined wage claim receivables on SESA.	X		
(C). Transfer all accounts receivable identified as uncollectible to the Department of Revenue.		X	
15. Implement procedures to correct various accounts receivable weakness.		X	

AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

NEWLAND, HORN, CRIPPEN & PECK, P.C.
Certified Public Accountants

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The Legislative Audit Committee
of the Montana Legislature:

We have examined the combined balance sheets of the Special Revenue and Expendable Trust Funds and the General Fixed Assets and General Long-Term Debt account groups of the Job Service, Unemployment Insurance, and Centralized Services Divisions of the Department of Labor and Industry as of September 30, 1982, and the combined statements of revenues, expenditures and changes in fund balances - budget and actual - of such funds for the fiscal years ended September 30, 1981 and September 30, 1982. Our examination was made in accordance with generally accepted auditing standards for governmental units and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the Comprehensive Employment and Training Act (CETA) revenues and allowance payments included in the statements of revenues, expenditures, and changes in fund balance for the fiscal year ended September 30, 1981. The revenues and allowance payments relating to CETA programs constitute 13.5 percent and 13 percent of the respective totals for fiscal year 1980-81. These CETA programs for fiscal year 1980-81 were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the programs described, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors which relate to CETA activities for the fiscal year ended September 30, 1981, the combined balance sheets for the various funds and account groups of the Job Service, Unemployment Insurance, and Centralized Services Divisions of the Department of Labor and Industry as of September 30, 1982, and the combined statements of revenue, expenditures and changes in fund balances - budget and actual - of such funds, present fairly the financial position of the Job Service, Unemployment Insurance, and Centralized Services Divisions of the Department of Labor and Industry at September 30, 1982, and the results of operations, and changes in fund balances for the fiscal years ended September 30, 1981 and September 30, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules presented on pages 37 through 49 are presented for purposes of additional analysis in

The Legislative Audit Committee
of the Montana Legislature
Page 2

compliance with federal and state requirements and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Newland, Horn, Crippen & Peck, P.C.
NEWLAND, HORN, CRIPPEN & PECK, P.C.
Certified Public Accountants

Butte, Montana
December 8, 1982

DEPARTMENT OF LABOR AND INDUSTRY
JOB SERVICE DIVISION
UNEMPLOYMENT INSURANCE DIVISION
CENTRALIZED SERVICES DIVISION

COMBINED BALANCE SHEET - ALL FUND TYPES
September 30, 1982

	<u>GOVERNMENT FUND</u> <u>SPECIAL REVENUE FUND</u>	<u>FIDUCIARY FUND TYPE</u> <u>EXPENDABLE TRUST FUND</u>
<u>ASSETS</u>		
Cash in State Treasurer	\$ 84,906	
Cash outside of State Treasurer	68,024	
Cash in U.S. Treasury		\$14,112,068
Employee travel advances	3,895	
Accounts receivable:		
Employer contributions		1,788,511
Employer penalty and interest		628,574
Allowance for doubtful accounts - employers		(2,417,085)
Overpayments of benefits		478,460
Interstate benefit claims		1,387,280
Overpayments of allowances	34,896	
Allowance for doubtful accounts - benefits/allowances	(34,896)	(1,865,740)
Notes receivable - Reed Act		237,000
Due from funding source	918,465	262,319
 TOTAL ASSETS	 <u>\$1,075,290</u>	 <u>\$14,611,387</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Cash overdrawn, outside State Treasurer		\$ 449,614
Accrued:		
State retirement expense	\$ 19,498	
OASI expense	20,780	
Workers' compensation expense	1,009	
Group insurance expense	17,010	
Unemployment tax expense	2,167	
Payroll and clearing expense	310,151	
Accounts payable:		
Vendors	299,491	
Employer contributions		58,829
Interstate benefit claims		816,112
Interstate accountability		(816,112)
Due to funding source	68,024	
Fund balance	337,160	14,102,944
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$1,075,290</u>	 <u>\$14,611,387</u>

DEPARTMENT OF LABOR AND INDUSTRY
JOB SERVICE DIVISION
UNEMPLOYMENT INSURANCE DIVISION
CENTRALIZED SERVICES DIVISION

COMBINED BALANCE SHEET - ALL ACCOUNT GROUPS
September 30, 1982

	ACCOUNT GROUPS	
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT
<u>ASSETS</u>		
Land	\$ 457,777	
Land improvements	\$ 4,958	
Less accumulated depreciation, land improvements	<u>3,178</u>	1,780
Buildings	3,207,626	
Less accumulated depreciation, buildings	<u>876,844</u>	2,330,782
Office furniture and fixtures	349,797	
Less accumulated depreciation, furniture and fixtures	<u>175,022</u>	174,775
Office equipment	1,359,173	
Less accumulated depreciation, office equipment	<u>593,087</u>	766,086
Other equipment	144,326	
Less accumulated depreciation, other equipment	<u>142,845</u>	1,481
Construction-in-progress		67,378
Amount to be provided for retirement of general long-term debt		<u>\$2,535,064</u>
TOTAL ASSETS	<u>\$3,800,059</u>	<u>\$2,535,064</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
General obligation bonds payable		\$2,535,064
Fund equity:		
Investment in general fixed assets	<u>\$3,800,059</u>	
TOTAL LIABILITIES AND FUND EQUITY	<u>\$3,800,059</u>	<u>\$2,535,064</u>

DEPARTMENT OF LABOR AND INDUSTRY

JOB SERVICE DIVISION

UNEMPLOYMENT INSURANCE DIVISION

CENTRALIZED SERVICES DIVISION

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -

SPECIAL REVENUE AND EXPENDABLE TRUST FUNDS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 1982

	SPECIAL REVENUE FUND			EXPENDABLE TRUST FUND		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Federal grants for administration	\$13,613,000	\$13,219,191	(\$393,809)			
Federal money for allowance payments	3,555,691	3,480,001	(75,690)			
Federal reimbursement for unemployment benefits				\$ 6,522,528	\$ 6,522,528	-0-
State unemployment tax				47,413,898	47,413,898	-0-
Interest earned				2,324,371	2,324,371	-0-
Miscellaneous revenue	128,110	58,311	(69,799)			
TOTAL REVENUES	<u>17,296,801</u>	<u>16,757,503</u>	<u>(539,298)</u>	<u>56,260,797</u>	<u>56,260,797</u>	<u>-0-</u>
EXPENDITURES:						
General administration	13,613,000	13,219,191	393,809			
Participant allowance payments	3,555,691	3,480,001	75,690			
Federal unemployment benefits				6,522,528	6,522,528	-0-
State unemployment benefits				62,042,808	62,042,808	-0-
Miscellaneous expenditures for services provided	128,110	58,311	69,799			
TOTAL EXPENDITURES	<u>17,296,801</u>	<u>16,757,503</u>	<u>539,298</u>	<u>68,565,336</u>	<u>68,565,336</u>	<u>-0-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-0-	-0-	-0-	(12,304,539)	(12,304,539)	-0-
OTHER FINANCING SOURCES (USES):						
Operating transfers in	-0-	270,000	270,000	(270,000)	(270,000)	-0-
Operating transfers out						
Fund balances, October 1, 1981	-0-	67,160	67,160	26,677,483	26,677,483	-0-
Fund balances, Sept. 30, 1982	<u>\$ -0-</u>	<u>\$ 337,160</u>	<u>\$337,160</u>	<u>\$14,102,944</u>	<u>\$14,102,944</u>	<u>-0-</u>

DEPARTMENT OF LABOR AND INDUSTRY
JOB SERVICE DIVISION
UNEMPLOYMENT INSURANCE DIVISION
CENTRALIZED SERVICES DIVISION
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE AND EXPENDABLE TRUST FUNDS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 1981

	SPECIAL REVENUE FUND			EXPENDABLE TRUST FUND		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Federal grants for administra- tion	\$14,707,673	\$14,129,639	(\$578,034)			
Federal money for allowance payments	7,326,326	7,046,360	(279,966)	\$ 8,587,775	\$ 8,587,775	-0-
Federal reimbursement for unemployment benefits				48,550,745	48,550,745	-0-
State unemployment benefit tax				1,932,907	1,932,907	-0-
Interest earned	210,840	203,169	(7,671)			
Miscellaneous revenue	22,244,839	21,379,168	(865,671)	59,071,427	59,071,427	-0-
TOTAL REVENUES						
	14,707,673	14,129,639	578,034			
	7,326,326	7,046,360	279,966	8,587,775	8,587,775	-0-
				42,164,115	42,164,115	-0-
	210,840	266,009	(55,169)			
	22,244,839	21,442,008	802,831	50,751,890	50,751,890	-0-
EXPENDITURES:						
General administration	14,707,673	14,129,639	578,034			
Participant allowance payments	7,326,326	7,046,360	279,966			
Federal unemployment benefits						
State unemployment benefits						
Miscellaneous expenditures for services provided	210,840	266,009	(55,169)			
TOTAL EXPENDITURES						
	-0-	(62,840)	62,840)	8,319,537	8,319,537	-0-
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES						
	-0-	130,000	130,000	(130,000)	130,000)	-0-
OTHER FINANCING SOURCES (USES):						
Operating transfers in						
Operating transfers out				18,058,023	18,058,023	-0-
FUND BALANCES - OCTOBER 1, 1980						
Increase in beginning fund balance due to understating revenue in prior year financial statement (Note 11)				429,923	429,923	-0-
FUND BALANCE - Sept. 30, 1981	\$ -0-	\$ 67,160	\$ 67,160	\$26,677,483	\$26,677,483	-0-

DEPARTMENT OF LABOR AND INDUSTRY
JOB SERVICE DIVISION
UNEMPLOYMENT SERVICE DIVISION
CENTRALIZED SERVICES DIVISION

Notes to the Financial Statements
Fiscal Years Ended September 30, 1981 and 1982

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Description of Funds

The financial statements were prepared from agency general ledgers maintained by the department and not the Statewide Budgeting and Accounting System. These agency ledgers are used as the primary accounting records for the department. The funds and account groups presented their relationship to the state treasury fund structure, and their purposes are:

Special Revenue Fund - To account for receipt and expenditure of money allocated to the department by the federal government for support of department programs and agency administration. Headings, account groups, and overall structure adhere to generally accepted accounting principles for government. This fund corresponds to the federal and private revenue fund, the federal and private grant clearance fund, and part of the agency fund within the state treasury fund structure.

Expendable Trust Fund - To account for tax moneys collected from employers within the state and to account for money placed in trust for the state with the United States Treasury. In addition, penalty and interest payments received from employers on past-due tax assessments prior to transfer to the federal fund is included in the Trust Fund. This fund includes the UI Benefit/Trust Fund programs. These funds are part of the agency fund within the State Treasury Fund structure.

General Fixed Assets Account Group - To account for fixed assets and equipment purchased by the department and related depreciation and debt accounts. These funds would be accounted for in the Property Accountability Management System (PAMS) within the State-wide Budgeting and Accounting System.

General Long-term Debt Account Group - The department currently is indebted on four long-term bond issues, a long-term note and a loan from the Unemployment Trust Fund. The proceeds of the bonds and notes were or are intended to be used to finance construction of the addition to the headquarters building and various local offices. The following paragraphs describe the obligations:

- A. The department had \$577,435 bonds payable to the State of Montana Public Employees' Retirement System at September 30, 1982. \$891,000 of these bonds were originally issued in June 1972 and \$499,000 were issued in June 1973 for a total of \$1,390,000. The bonds had an 8-3/4 percent interest rate until fiscal year 1973-74. The rate was then reduced to 8 percent for the remaining term of the bonds. Presently, the annual payment of the bonds, including interest, is \$176,270, and the issue will be retired in 1988. The \$176,270 payments are made by the department from funds provided by the federal government.
- B. The department has a \$237,000 note payable to the Montana Unemployment Insurance Trust Fund at September 30, 1982. This note was issued in July 1973, bears no interest and is to be repaid by the department when the bond described in paragraph A is retired. The source of funds to retire this note is the same as for the above-described bond issue.
- C. The department has a \$224,777 note payable to its penalty and interest program at September 30, 1982. This note was issued in June 1972, bears no interest, and is to be repaid by the department when the bond and note previously described have been retired. The federal government will provide the funds to retire this note.
- D. The department had \$1,150,806 payable at September 30, 1982, to Montana's Long Range Building Program for the portion of their May 1980 bond issue applicable to the departmental construction of a local office in Bozeman and an addition to the Kalispell office. Payments of \$110,000, including interest are required until 1996. The interest is at a rate of 7.0481 percent. The payments required will be made by the department from funds provided by the federal government. Construction of the Bozeman local office has not commenced as noted elsewhere in this report.

- E. The department had \$345,046 payable to Montana's Long Range Building Program for construction of the Hamilton/Polson local offices at September 30, 1982. Construction has not commenced as noted elsewhere in this report. Payments of \$26,542 per year on principal are required until 1996. Interest payments vary each year with a varying interest rate of 9 to 12 percent. The payments required will be made by the department from funds provided by the federal government.

The annual payments for all bond principal requirements, except those in paragraphs B and C are as follows:

1983	\$ 187,543
1984	182,978
1985	157,038
1986	167,141
1987	177,772
1988-2002	<u>1,200,783</u>
	<u>\$2,073,255</u>

b) Basis of Accounting

The department maintains its accounts on the modified accrual basis of accounting. Modified accrual is defined as "that method of accounting in which expenditures are recorded on the basis of legal liability and revenues are recorded when measurable and available." At the end of each month, all legal liabilities against an appropriation are accrued as expenditures.

c) Inventories

Inventories are expensed when purchased. No asset is recognized.

d) Allowance for Doubtful Accounts

The department maintains accounts receivable on a fully reserved basis, offset by a corresponding amount in an allowance for doubtful accounts. The revenue is not recognized until cash is measurable and available.

The department considers current accounts as collectible and suspended accounts as uncollectible.

e) Depreciation Method

In accordance with federal guidelines, the department computes

Depreciation Method - cont.

depreciation monthly, using the straight-line method of depreciation for all depreciable assets. Assets are considered to have no residual value. The major property groups and their related depreciation lives are as follows:

Buildings	45 years
Land improvements	20 years
Office furniture and fixtures	20 years
Office equipment	10 years
Automotive equipment	3 years

2. RETIREMENT PLAN

The department participates in the Public Employees' Retirement System which covers substantially all department employees. For fiscal years 1980-81 and 1981-82, the employees' contributory share was six percent of salaries and wages. The department contributed 6.2 and 6.32 percent to the plan for the periods October 1, 1980 through June 30, 1981 and July 1, 1981 to September 30, 1982 respectively. The retirement plan expenses for fiscal years 1980-81 and 1981-82 were \$593,512 and \$553,705 respectively.

The state's policy is to fund accrued pension costs. At June 30, 1982, the Public Employees' Retirement System was determined to be actuarially sound. The unfunded past service costs and the actuarially computed value of vested benefits were not available for members of the plan employed by the department.

3. ANNUAL VACATION AND SICK LEAVE

Employees accrue eight hours of sick leave and ten hours of vacation leave each month. Vacation leave accrual rates increase after ten years of service. In the event of termination, an employee is paid for 100 percent of accumulated vacation and 25 percent of accumulated sick leave. Accumulated vacation and sick leave monetary liability is not calculated until an employee terminates and is not readily determinable at September 30, 1982.

4. CASH OVERDRAWN

The \$449,614 shown as "cash overdrawn" represents a negative cash balance in the regular Unemployment Insurance bank account. To comply with federal regulations, U.I. benefits are to be claimed and paid, by warrant, prior to procuring a letter of credit drawdown from the U. S. Treasury. This allows the department to drawdown an amount approximate to that expended, leaving the maximum amount in the U. S. Treasury to draw interest.

5. DUE TO FUNDING SOURCE

This account normally represents the department's liability to the federal government for money received but not yet expended. Amounts received but not expended at the completion of a program revert to the federal government.

6. DUE FROM FUNDING SOURCE

Expenditures made by the department prior to the receipt of the federal funding are "due from" at September 30, 1982.

7. LEASED PREMISES

Presently, the department leases 26 buildings throughout the state for local offices, WIN and CETA centers, and two Casual Labor Offices. All lease payments are made monthly with the lowest payment currently being \$160 and the highest \$5,800. Total yearly payments for all leased buildings was \$350,516 and \$311,380 for fiscal years 1980-81 and 1981-82 respectively. All of the department's leases can be cancelled upon 30 to 60 days notice.

8. ACCOUNTS RECEIVABLE

Accounts receivable shown on the accompanying balance sheet have not been recorded as revenue and are fully reserved by the department. As much as 30 percent of employer contributions receivable may be uncollectible.

9. OTHER EQUIPMENT

"Other equipment" shown on the accompanying balance sheet includes \$61,198 of equipment purchased by the Employment and Training Administration

OTHER EQUIPMENT - cont.

in September, 1979. Although the department has possession and use of this equipment, the title remains with ETA. The equipment is fully depreciated at September 30, 1982.

10. BUDGET INFORMATION

Special Revenue Fund

The department utilizes a fixed annual basis of budgeting. Under the fixed annual method, appropriations of specific dollar amounts are set for each fiscal year by the U. S. Congress. The department submits detailed budget requests to the U. S. Department of Labor. These are incorporated into the overall Department of Labor budget.

When the budget is approved, the department receives obligational authority for each program for each fiscal year. The established obligational authority (appropriation) controls the department's financial operations during the fiscal year. At the end of each fiscal year, unobligated cash in the department's programs reverts to the federal government. The balance sheet item "due funding source" represents the accumulated balance at each fiscal year end.

Requests for changes in a program's level of obligational authority are submitted to the regional office of the U. S. Department of Labor. The requests are approved or denied based upon available funding.

Expendable Trust Fund

The State of Montana has adopted a financial plan to maintain the Unemployment Compensation Fund. The legislature establishes parameters relating to revenues and expenditures of the fund.

The department utilizes a flexible annual basis of budgeting. Under the flexible annual method, revenue and expenditure dollar estimates vary according to the demand for unemployment benefits.

Expendable Trust Fund - cont.

Revenue represents collections of the unemployment compensation tax.

The Montana Legislature sets parameters for the tax rate to be charged an employer and for the taxable wage base. The tax rate charged each employer may vary from year to year, based upon employment experience.

Expenditures represent payments of unemployment benefits to eligible claimants. The Montana Legislature establishes the benefit eligibility criteria and the parameters for the weekly dollar amount to be paid to an eligible claimant. Total benefits paid during the fiscal year vary according to the level of unemployment within the state.

11. ADJUSTMENT TO BEGINNING FUND BALANCE

The financial statements as of September 30, 1980 did not reflect \$429,923 of interest earned on cash in U. S. Treasury as of that date. Therefore, we have increased beginning fund balance by \$429,923 to reflect this error. If the interest had been recorded at September 30, 1980, total revenue and revenue in excess of expenditures would have been \$429,923 greater for the year ended September 30, 1980.

12. RECLASSIFICATION OF FUND STRUCTURE

During our audit period, the Department of Administration changed the reporting fund structure account classifications from what was used in prior fiscal years. The General and Special Revenue Funds were changed to Special Revenue and Expendable Trust Funds respectively. We concur with this classification change. The accounting remained the same within the funds, only a reclassification of fund names occurred.

SUPPLEMENTAL SCHEDULES

DEPARTMENT OF LABOR AND INDUSTRY
JOB SERVICE DIVISION
UNEMPLOYMENT INSURANCE DIVISION
CENTRALIZED SERVICES DIVISION

SUPPLEMENTAL BALANCE SHEET OF GENERAL LEDGER - ACCOUNT 90000
SEPTEMBER 30, 1982

<u>ACCOUNT NUMBER</u>		<u>BALANCE</u>
<u>ASSETS</u>		
100	Imprest Fund	\$ 1,100
101	Cash on deposit	79,219
107	Travel revolving	4,587
109	Employee advances	<u>3,895</u>
	TOTAL ASSETS	<u>\$ 88,801</u>
<u>LIABILITIES</u>		
200	Accounts payable - vendors	\$299,491
220	Cash advance for appropriations	(581,305)
240	Accrued state retirement	19,498
241	Accrued OASI	20,780
242	Accrued Workers' compensation	1,009
244	Accrued group insurance	17,010
245	Accrued unemployment insurance	2,167
250	Accrued payroll	<u>310,151</u>
	TOTAL LIABILITIES	<u>\$ 88,801</u>

DEPARTMENT OF LABOR AND INDUSTRY
JOB SERVICE DIVISION
UNEMPLOYMENT INSURANCE DIVISION
CENTRALIZED SERVICES DIVISION

SUPPLEMENTAL BALANCE SHEET OF PROPERTY LEDGER - ACCOUNT 99999
SEPTEMBER 30, 1982

<u>ACCOUNT NUMBER</u>		<u>BALANCE</u>
	<u>ASSETS</u>	
150	Land	\$ 457,776.82
151	Land improvements	4,958.05
161	Accumulated depreciation, land improvements	(3,177.97)
152	Buildings	3,207,625.76
162	Accumulated depreciation, buildings	(876,843.62)
153	Office furniture and fixtures	349,796.89
163	Accumulated depreciation, office furniture and fixtures	(175,022.14)
154	Office equipment	1,359,173.44
164	Accumulated depreciation, office equipment	(593,086.90)
155	Other equipment	144,326.18
165	Accumulated depreciation, other equipment	(142,845.37)
156	Construction-in-progress (Note 2)	<u>67,377.64</u>
	TOTAL ASSETS	<u>\$3,800,058.78</u>
	<u>LIABILITIES AND INVESTMENTS</u>	
280	Long-term liabilities	\$2,535,064.26
	<u>INVESTMENTS</u>	
390	Fund investment	<u>1,264,994.52</u>
	TOTAL LIABILITIES AND INVESTMENT	<u>\$3,800,058.78</u>

DEPARTMENT OF LABOR AND INDUSTRY
JOB SERVICE DIVISION
UNEMPLOYMENT INSURANCE DIVISION
CENTRALIZED SERVICES DIVISION

SUPPLEMENTAL BALANCE SHEET OF GENERAL LEDGER - ACCOUNT 90000
SEPTEMBER 30, 1981

<u>ACCOUNT NUMBER</u>		<u>BALANCE</u>
<u>ASSETS</u>		
100	Imprest Fund	\$ 1,100
101	Cash on deposit	303,755
107	Travel revolving	2,588
109	Employee advances	1,928
141	Prepaid expense - Commissioner budget	<u>29,005</u>
	TOTAL ASSETS	<u>\$338,376</u>
<u>LIABILITIES</u>		
200	Accounts payable - vendors	\$315,057
220	Cash advance for appropriations	(336,835)
240	Accrued state retirement	19,062
241	Accrued OASI	20,057
242	Accrued Worker's compensation	938
244	Accrued group insurance	15,773
245	Accrued unemployment insurance	2,710
250	Accrued payroll	<u>301,614</u>
	TOTAL LIABILITIES	<u>\$338,376</u>

DEPARTMENT OF LABOR AND INDUSTRY
JOB SERVICE DIVISION
UNEMPLOYMENT INSURANCE DIVISION
CENTRALIZED SERVICES DIVISION

SUPPLEMENTAL BALANCE SHEET OF PROPERTY LEDGER - ACCOUNT 99999
SEPTEMBER 30, 1981

<u>ACCOUNT NUMBER</u>		<u>BALANCE</u>
<u>ASSETS</u>		
150	Land	\$ 457,776.82
151	Land improvements	4,958.05
161	Accumulated depreciation, land improvements	(2,930.05)
152	Buildings	2,871,223.80
162	Accumulated depreciation, buildings	(803,570.05)
153	Office furniture and fixtures	354,392.41
163	Accumulated depreciation, office furniture and fixtures	(165,514.26)
154	Office equipment	1,119,987.73
164	Accumulated depreciation, office equipment	(483,140.92)
155	Other equipment	190,803.69
165	Accumulated depreciation, other equipment	(162,614.65)
156	Construction-in-progress (Note 2)	66,540.39
	TOTAL ASSETS	<u>\$3,447,912.96</u>
<u>LIABILITIES AND INVESTMENTS</u>		
280	Long-term liabilities	\$2,337,446.17
<u>INVESTMENTS</u>		
390	Fund investment	<u>1,110,466.79</u>
	TOTAL LIABILITIES AND INVESTMENT	<u>\$3,447,912.96</u>

DEPARTMENT OF LABOR AND INDUSTRY
JOB SERVICE DIVISION
UNEMPLOYMENT INSURANCE DIVISION
CENTRALIZED SERVICES DIVISION

SCHEDULE OF CAPITAL PROJECTS
 FOR TWO FISCAL YEARS ENDED SEPTEMBER 30, 1982

Project Description	Approp. Balance October 1, 1980	Budget Amendments	Expended Fiscal Year 1980-81	Approp. Reverted	Approp. Balance September 30, 1981
Addition - Job Service, Kalispell Approp. #60177	\$ 17,765.24		\$ 3,627.95		\$ 14,137.29
Bozeman Job Service Approp. #60178	816,270.00		3,349.64		812,920.36
Miscellaneous Repairs and remodeling, Approp. #71505	36,542.03		11,613.85		24,928.18
Project Description	Approp. Balance October 1, 1981	Budget Amendments	Expended Fiscal Year 1981-82	Approp. Reverted	Approp. Balance September 30, 1982
Hamilton Job Service Approp. #61288	\$500,000.00		\$ 298.00	\$300,000.00	\$199,702.00
Addition - Job Service Kalispell Approp. #60177	14,137.29		539.25		13,598.04
Bozeman Job Service Approp. #60178	812,920.36				812,920.36
Polson Job Service Approp. #61287	500,000.00			\$300,000.00	200,000.00
Miscellaneous: Repairs and remodeling Approp. #71555	24,928.18		909.70		24,018.48

DEPARTMENT OF LABOR AND INDUSTRY
 JOB SERVICE DIVISION, UNEMPLOYMENT INSURANCE DIVISION, AND CENTRALIZED SERVICES DIVISION
 SCHEDULE OF FINANCIAL POSITION
 FISCAL YEAR ENDED SEPTEMBER 30, 1982

Fund Ledger Description	Obligational Authority	Prior Years Cash Receipts	Current Year Cash Receipts	Total Cash Receipts	Funds Available But Not Withdrawn
92059 E.S. GRANTS	\$ 4,218,041	\$ 4,215,655	\$ 2,386	\$ 4,218,041	---
91700 TRADE ACT CMA	150,585	140,000	9,808	149,808	\$ 777
92050 E. S. GRANTS	4,303,461	4,307,191	(3,730)	4,303,461	---
92070 E. S. TRA	2,524	2,524	---	2,524	---
92100 U. I. GRANTS	4,322,097	4,330,365	(8,268)	4,322,097	---
92110 U. I. SUPPORT	153,980	132,055	21,925	153,980	---
96380 OLD WEST REGL COMM	26,988	15,276	11,712	26,988	---
90101 FECA - UCFF	1,931,946	1,931,000	946	1,931,946	---
90121 FECA - UCP	43,937	40,000	3,937	43,937	---
91101 CETA IV JOB CORPS	172,830	172,830	(466)	172,364	466
91121 ETA/PSE	188,526	---	160,989	160,989	27,537
91401 DVOP	43,384	39,384	(6,112)	33,272	10,112
91531 CETA TAT	34,765	12,765	22,000	34,765	---
91751 TJTC	77,679	77,679	---	77,679	---
92051 E.S. GRANTS	4,956,466	4,604,188	352,278	4,956,466	---
92101 U.I. GRANTS	4,804,068	4,561,000	243,068	4,804,068	---
92121 FOOD STAMPS	227,805	195,000	32,805	227,805	---
92241 UCX	1,561,693	1,550,000	11,693	1,561,693	---
92261 TEA	2,010,069	2,009,522	547	2,010,069	---
92291 UI-EB/FSB FED SHARE	1,745,088	1,746,844	(1,756)	1,745,088	---
92321 UI-PSE	783,751	779,387	4,364	783,751	---
92361 DUA ADMIN	6,766	5,200	1,566	6,766	---
92371 DUA ALLOWANCES	24,532	19,800	4,732	24,532	---
92511 WIN STATE CENTRAL	247,314	253,635	(6,321)	247,314	---
92521 WIN LOCAL PROJECT	949,518	967,000	(17,482)	949,518	---
93011 CETA CLASSROOM TRNG	932,404	910,000	22,404	932,404	---
93021 CETA OJT	789,463	760,000	29,463	789,463	---
93051 CETA BASIC ED	125,092	134,100	(9,008)	125,092	---
93061 CETA NATIVE AMER TB	24,045	25,000	(955)	24,045	---
93071 CETA ADULT WORK EXP	366,013	355,000	11,013	366,013	---
93081 CETA JOB FINDING CLUB	190,926	185,000	5,926	190,926	---
93091 CETA WORLD OF WORK	188,701	185,900	2,801	188,701	---
93101 CETA SERVICES	2,121,341	2,160,000	(38,659)	2,121,341	---
93141 CETA CEP	1,463,533	1,463,000	(62,418)	1,400,582	62,951
93161 CETA GOVN. SPEC. GRNT	147,432	124,478	22,954	147,432	---
93271 CETA PSE II	2,033,698	2,229,000	(195,302)	2,033,698	---
93281 CETA PSE VI	459,293	503,000	(43,707)	459,293	---
93291 CETA PSE VI A	476,539	530,000	(53,461)	476,539	---
93351 CETA YETP	92,558	101,460	(8,902)	92,558	---
96181 PRIVATE INDUST COUNL	---	---	---	---	---
96191 PINE HILLS FLP	---	---	---	---	---
96311 UNION TAT	48,072	55,000	(6,928)	48,072	---
96481 PIC PROJECT TRANS	27,262	19,794	7,468	27,262	---
96611 MOES	31,245	32,937	(1,692)	31,245	---
96701 NAPSIP	27,966	26,604	1,362	27,966	---
97001 U.I. BENEFITS	42,164,115	42,061,272	102,843	42,164,115	---
99851 PENALTY AND INTEREST	139,940	207,100	(140,210)	66,890	73,050
90102 FECA - UCFF	2,820,962	---	2,810,054	2,810,054	10,908
90122 FECA - UCP	22,813	---	22,063	22,063	750
91102 CETA IV JOB CORPS	184,300	---	180,400	180,400	3,900
91542 CETA III LMI	49,400	---	57,100	57,100	(7,700)
91702 TRADE ACT CMA	37,484	---	6,280	6,280	31,204
91752 TJTC	88,126	---	75,100	75,100	13,026
92052 E. S. GRANTS	4,680,165	---	4,102,032	4,102,032	578,133
92062 UI/ES FSC	24,915	---	---	---	24,915
92092 UI FSC	---	---	---	---	---
92102 UI GRANTS	5,247,862	---	4,742,000	4,742,000	505,862
92122 FOOD STAMPS	222,796	---	222,796	222,796	---
92242 UCX	265,100	---	372,000	372,000	(106,900)
92262 TEA	218,100	---	65,000	65,000	153,100
92292 UI-EB/FSB FED SHARE	2,890,043	---	2,632,000	2,632,000	258,043
92322 UI-PSE	256,800	---	167,771	167,771	89,029
92512 WIN STATE CENTRAL	184,071	---	167,000	167,000	17,071
92522 WIN LOCAL PROJECT	806,908	---	606,000	606,000	200,908

Prior Years Expenditures	Current Year Expenditures	Total Expenditures	Resources On Order	Total Obligations	Ending Liability To Sponsor	Unobligated Balance
\$ 4,218,041	---	\$ 4,218,041	---	\$ 4,218,041	---	---
137,284	\$ 12,524	149,808	---	149,808	---	\$ 777
4,303,461	---	4,303,461	---	4,303,461	---	---
2,524	---	2,524	---	2,524	---	---
4,322,097	---	4,322,097	---	4,322,097	---	---
153,980	---	153,980	---	153,980	---	---
18,839	8,149	26,988	---	26,988	---	---
1,931,946	---	1,931,946	---	1,931,946	---	---
43,937	---	43,937	---	43,937	---	---
172,364	---	172,364	---	172,364	---	466
25,760	121,187	146,947	---	146,947	\$ 14,042	41,579
33,272	---	33,272	---	33,272	---	10,112
9,924	24,841	34,765	---	34,765	---	---
76,451	1,228	77,679	---	77,679	---	---
4,918,824	37,642	4,956,466	---	4,956,466	---	---
4,789,960	14,108	4,804,068	---	4,804,068	---	---
227,805	---	227,805	---	227,805	---	---
1,543,485	18,208	1,561,693	---	1,561,693	---	---
1,989,017	21,052	2,010,069	---	2,010,069	---	---
1,745,088	---	1,745,088	---	1,745,088	---	---
772,028	11,723	783,751	---	783,751	---	---
6,290	476	6,766	---	6,766	---	---
19,424	5,108	24,532	---	24,532	---	---
247,314	---	247,314	---	247,314	---	---
949,518	---	949,518	---	949,518	---	---
933,337	(933)	932,404	---	932,404	---	---
794,946	(5,483)	789,463	---	789,463	---	---
124,609	483	125,092	---	125,092	---	---
24,045	---	24,045	---	24,045	---	---
367,272	(1,259)	366,013	---	366,013	---	---
192,778	(1,852)	190,926	---	190,926	---	---
188,893	(192)	188,701	---	188,701	---	---
2,117,867	3,474	2,121,341	---	2,121,341	---	---
1,387,736	12,846	1,400,582	---	1,400,582	---	62,051
147,281	151	147,432	---	147,432	---	---
2,033,723	(25)	2,033,698	---	2,033,698	---	---
459,293	---	459,293	---	459,293	---	---
476,542	(3)	476,539	---	476,539	---	---
94,007	(1,449)	92,558	---	92,558	---	---
29,797	(29,797)	---	---	---	---	---
1,063	(1,063)	---	---	---	---	---
47,127	945	48,072	---	48,072	---	---
27,262	---	27,262	---	27,262	---	---
31,245	---	31,245	---	31,245	---	---
27,816	150	27,966	---	27,966	---	---
42,164,115	---	42,164,115	---	42,164,115	---	---
139,940	---	139,940	---	139,940	(73,050)	---
---	2,820,962	2,820,962	---	2,820,962	(10,908)	---
---	22,813	22,813	---	22,813	(750)	---
---	176,221	176,221	---	176,221	4,179	8,079
---	47,029	47,029	\$ 1,357	48,386	10,071	1,014
---	6,280	6,280	---	6,280	---	31,204
---	76,138	76,138	---	76,138	(1,038)	11,988
---	4,544,504	4,544,504	135,273	4,679,777	(442,472)	388
---	---	---	---	---	---	24,915
---	13,118	13,118	---	13,118	(13,118)	(13,118)
---	5,255,718	5,255,718	10,632	5,266,350	(513,718)	(18,488)
---	222,796	222,796	---	222,796	---	---
---	375,488	375,488	---	375,488	(3,488)	(110,388)
---	68,173	68,173	---	68,173	(3,173)	149,927
---	2,890,043	2,890,043	---	2,890,043	(258,043)	---
---	167,771	167,771	---	167,771	---	89,029
---	170,371	170,371	---	170,371	(3,371)	13,700
---	678,721	678,721	---	678,721	(72,721)	128,187

DEPARTMENT OF LABOR AND INDUSTRY
 JOB SERVICE DIVISION, UNEMPLOYMENT INSURANCE DIVISION, AND CENTRALIZED SERVICES DIVISION
 SCHEDULE OF FINANCIAL POSITION - CONTINUED
 FISCAL YEAR ENDED SEPTEMBER 30, 1982

<u>Fund Ledger Description</u>	<u>Obligational Authority</u>	<u>Prior Years Cash Receipts</u>	<u>Current Year Cash Receipts</u>	<u>Total Cash Receipts</u>	<u>Funds Available But Not Withdraw</u>
93012 CETA CLASSROOM TRNG	\$ 500,000	---	\$ 495,000	\$ 495,000	\$ 5,000
93022 CETA OJT	802,680	---	643,000	643,000	159,680
93052 CETA BASIC ED	69,315	---	65,897	65,897	3,418
93062 CETA NATIVE AMEC TB	27,000	---	21,886	21,886	5,114
93072 CETA ADULT WORK EXP.	219,744	---	199,744	199,744	20,000
93082 CETA JOB FINDING CLB.	242,157	---	230,000	230,000	12,157
93092 CETA WORLD OF WORK	166,365	---	160,000	160,000	6,365
93102 CETA SERVICES	1,312,252	---	1,310,000	1,310,000	2,252
93112 CETA ADMIN	462,772	---	470,000	470,000	(7,228)
93122 CETA MOBILE JOB CLUB	78,665	---	73,665	73,665	5,000
93142 CETA CEP	1,354,281	---	1,325,000	1,325,000	29,281
93152 CETA TITLE VII	---	---	---	---	---
93162 CETA GOVN. SPEC. GRNT	72,005	---	72,005	72,005	---
93172 CETA PIC	273,131	---	268,032	268,032	5,099
94502 DISTRB. DATA PROC.	---	---	---	---	---
96612 MOES	31,488	---	19,762	19,762	11,726
96622 CIDS	20,218	---	20,218	20,218	---
97002 UI BENEFITS	62,042,808	---	61,854,913	61,854,913	187,895
99852 PENALTY AND INTEREST	337,160	---	337,160	337,160	---
TOTAL	<u>\$170,849,337</u>	<u>\$ 84,176,945</u>	<u>\$84,279,491</u>	<u>\$168,456,436</u>	<u>\$2,392,901</u>

<u>Prior Years Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Expenditures</u>	<u>Resources On Order</u>	<u>Total Obligations</u>	<u>Ending Liability To Sponsor</u>	<u>Unobligated Balance</u>
---	471,840	471,840	---	471,840	23,160	28,160
---	802,680	802,680	---	802,680	(159,680)	---
---	66,989	66,989	---	66,989	(1,092)	2,326
---	21,886	21,886	---	21,886	---	5,114
---	214,951	214,951	---	214,951	(15,207)	4,793
---	222,668	222,668	---	222,668	7,332	19,489
---	161,218	161,218	---	161,218	(1,218)	5,147
---	1,275,412	1,275,412	---	1,275,412	34,588	36,840
---	402,304	402,304	---	402,304	67,696	60,468
---	78,552	78,552	---	78,552	(4,887)	113
---	1,341,702	1,341,702	---	1,341,702	(16,702)	12,579
---	37,244	37,244	---	37,244	(37,244)	(37,244)
---	72,005	72,005	---	72,005	---	---
---	273,131	273,131	---	273,131	(5,099)	---
---	---	---	---	---	---	---
---	28,849	28,849	---	28,849	(9,087)	2,639
---	20,218	20,218	---	20,218	---	---
---	62,042,808	62,042,808	---	62,042,808	(187,895)	---
---	---	---	---	---	337,160	337,160
<u>\$84,469,327</u>	<u>\$85,322,842</u>	<u>\$169,792,169</u>	<u>\$147,262</u>	<u>\$169,939,431</u>	<u>(\$1,335,733)</u>	<u>\$909,906</u>

DEPARTMENT OF LABOR AND INDUSTRY
JOB SERVICE DIVISION, UNEMPLOYMENT INSURANCE DIVISION AND CENTRALIZED SERVICES DIVISION
SCHEDULE OF FINANCIAL POSITION
FISCAL YEAR ENDED SEPTEMBER 30, 1981

Fund Ledger Description	Obligational Authority	Prior Years Cash Receipts	Current Year Cash Receipts	Total Cash Receipts	Funds Available But Not Withdrawn
91506 WIN TAT	\$ 242,857	\$ 244,995	(\$ 2,138)	\$ 242,857	---
91539 CETA TAT	1,830	3,400	(1,570)	1,830	---
91709 TRADE ACT CMA	92,862	79,500	13,362	92,862	---
92059 E.S. GRANTS	4,218,275	4,212,155	3,500	4,215,655	\$ 2,620
92109 U.I. GRANTS	4,295,002	4,301,524	(6,522)	4,295,002	---
96629 SOIC	3,069	2,861	208	3,069	---
91050 JSIP TEAM BLDG.	450	---	450	450	---
91100 CETA IV JOB CORPS	161,691	156,713	4,978	161,691	---
91400 DVOP	139,403	98,857	40,546	139,403	---
91540 CETA III LMI	56,605	58,400	(1,795)	56,605	---
91700 TRADE ACT CMA	240,000	---	140,000	140,000	100,000
91750 TJTC	125,180	121,000	4,180	125,180	---
92050 E.S. GRANTS	4,306,584	4,211,371	95,820	4,307,191	(607)
92070 E.S./TRA	3,131	---	2,524	2,524	607
92100 U.I. GRANTS	4,329,764	4,090,000	240,365	4,330,365	(601)
92110 U.I. SUPP	199,725	---	132,055	132,055	67,670
92190 FOOD STAMPS	176,260	180,690	(4,430)	176,260	---
92220 UCFE	2,038,961	2,042,539	(3,578)	2,038,961	---
92240 UCX	1,458,695	1,468,207	(9,512)	1,458,695	---
92260 TEA	942,541	928,079	14,462	942,541	---
92280 UCXP	65,206	66,136	(930)	65,206	---
92290 UI-EB/FSB FEDERAL SHARE	1,182,404	1,398,861	(216,457)	1,182,404	---
92300 SUA	---	2,522	(2,522)	---	---
92320 UI-PSE	1,022,632	1,030,812	(8,180)	1,022,632	---
92510 WIN STATE CENTRAL	173,140	187,000	(13,860)	173,140	---
92520 WIN LOCAL PROJECT	970,070	999,199	(29,129)	970,070	---
92800 WIN DEMO PROJECT	123,367	137,181	(22,811)	114,370	8,997
92820 MISSOULA JOB CLUB	41,789	48,000	(11,167)	36,833	4,956
93010 CETA CLASSROOM TRAINING	951,578	885,653	65,925	951,578	---
93020 CETA OJT	469,138	244,875	224,263	469,138	---
93030 STIP	48,297	54,000	(5,703)	48,297	---
93050 CETA BASIC EDUCATION	169,272	167,398	1,874	169,272	---
93060 CETA NATB	20,981	17,250	3,731	20,981	---
93070 CETA ADULT WORK EXPERIENCE	607,840	641,000	(33,160)	607,840	---
93080 CETA JOB FINDING CLUB	6,801	---	6,801	6,801	---
93090 CETA WORLD OF WORK	202,006	182,856	19,150	202,006	---
93100 CETA SERVICES	1,962,429	1,880,646	81,783	1,962,429	---
93140 CETA CEP	1,544,839	1,583,000	(38,161)	1,544,839	---
93160 GOVERNOR'S SPECIAL GRANT	27,996	29,259	(1,263)	27,996	---
93270 CETA PSE TITLE II	3,816,539	3,688,240	128,299	3,816,539	---
93280 CETA PSE TITLE VI	1,348,666	1,641,396	(292,730)	1,348,666	---
93290 CETA PSE TITLE VI EXTENSION	1,376,272	1,478,000	(101,728)	1,376,272	---
93350 YETP	93,642	91,961	1,681	93,642	---
93830 CETA YES	17,246	---	17,246	17,246	---
96310 UNION TAT	40,153	20,000	20,153	40,153	---
96380 OLD WEST	34,616	---	15,276	15,276	19,340
96610 MOES	50,569	38,980	11,589	50,569	---
96700 NAPSIP	19,204	5,027	14,177	19,204	---
97000 U.I. BENEFITS	39,546,986	39,070,758	476,228	39,546,986	---
99850 PENALTY AND INTEREST	5,650	78,700	(73,050)	5,650	---
90101 FECA-UCFE	1,931,946	---	1,931,000	1,931,000	946
90121 FECA-UCP	43,937	---	40,000	40,000	3,937
91101 CETA IV JOB CORPS	172,830	---	172,830	172,830	---
91121 ETA/PSE	188,526	---	---	---	188,526
91401 DVOP	43,384	---	39,384	39,384	4,000
91531 CETA TAT	34,765	---	12,765	12,765	22,000
91541 CETA III LMI	64,100	---	64,100	64,100	---
91751 TJTC	77,679	---	77,679	77,679	---
92051 E.S. GRANTS	4,959,386	---	4,604,188	4,604,188	355,198
92101 U.I. GRANTS	4,807,020	---	4,561,000	4,561,000	246,020
92121 FOOD STAMPS	229,088	---	195,000	195,000	34,088

Prior Years Expenditures	Current Year Expenditures	Total Expenditures	Resources On Order	Total Obligations	Ending Liability To Sponsor	Unobligated Balance
\$ 242,857	---	\$ 242,857	---	\$ 242,857	---	---
1,830	---	1,830	---	1,830	---	---
71,517	\$ 21,345	92,862	---	92,862	---	---
4,213,644	4,397	4,218,041	---	4,218,041	(\$ 2,386)	234
4,295,048	(46)	4,295,002	---	4,295,002	---	---
3,069	---	3,069	---	3,069	---	---
---	450	450	---	450	---	---
152,300	9,391	161,691	---	161,691	---	---
95,857	43,546	139,403	---	139,403	---	---
55,310	1,295	56,605	---	56,605	---	---
---	137,284	137,284	\$ 22,243	159,527	2,716	80,473
119,003	6,177	125,180	---	125,180	---	---
4,191,583	111,878	4,303,461	---	4,303,461	3,730	3,123
---	2,524	2,524	---	2,524	---	607
4,399,753	(77,656)	4,322,097	---	4,322,097	8,268	7,667
---	153,980	153,980	---	153,980	(21,925)	45,745
176,260	---	176,260	---	176,260	---	---
2,038,961	---	2,038,961	---	2,038,961	---	---
1,458,695	---	1,458,695	---	1,458,695	---	---
942,541	---	942,541	---	942,541	---	---
65,206	---	65,206	---	65,206	---	---
1,182,404	---	1,182,404	---	1,182,404	---	---
(2,603)	2,603	---	---	---	---	---
1,022,632	---	1,022,632	---	1,022,632	---	---
173,140	---	173,140	---	173,140	---	---
970,070	---	970,070	---	970,070	---	---
123,366	(8,996)	114,370	---	114,370	---	8,997
41,790	(4,957)	36,833	---	36,833	---	4,956
951,712	(134)	951,578	---	951,578	---	---
474,983	(5,845)	469,138	---	469,138	---	---
48,331	(34)	48,297	---	48,297	---	---
168,728	544	169,272	---	169,272	---	---
20,981	---	20,981	---	20,981	---	---
605,557	2,283	607,840	---	607,840	---	---
6,948	(147)	6,801	---	6,801	---	---
201,569	437	202,006	---	202,006	---	---
1,978,880	(16,451)	1,962,429	---	1,962,429	---	---
1,546,055	(1,216)	1,544,839	---	1,544,839	---	---
28,687	(691)	27,996	---	27,996	---	---
3,921,392	(104,853)	3,816,539	---	3,816,539	---	---
1,317,127	31,539	1,348,666	---	1,348,666	---	---
1,386,460	(10,188)	1,376,272	---	1,376,272	---	---
94,306	(664)	93,642	---	93,642	---	---
17,246	---	17,246	---	17,246	---	---
40,153	---	40,153	---	40,153	---	---
5,898	12,941	18,839	---	18,839	(3,563)	15,777
50,569	---	50,569	---	50,569	---	---
27,730	(8,526)	19,204	---	19,204	---	---
39,546,986	---	39,546,986	---	39,546,986	---	---
5,650	---	5,650	---	5,650	---	---
---	1,931,946	1,931,946	---	1,931,946	(946)	---
---	43,937	43,937	---	43,937	(3,937)	---
---	172,364	172,364	---	172,364	466	466
---	25,760	25,760	---	25,760	(25,760)	162,766
---	33,272	33,272	---	33,272	6,112	10,112
---	9,924	9,924	3,600	13,524	2,841	21,241
---	64,100	64,100	---	64,100	---	---
---	76,451	76,451	---	76,451	1,228	1,228
---	4,918,824	4,918,824	40,549	4,959,373	(314,636)	13
---	4,789,959	4,789,959	17,061	4,807,020	(228,959)	---
---	227,805	227,805	---	227,805	(32,805)	1,283

DEPARTMENT OF LABOR AND INDUSTRY
 JOB SERVICE DIVISION, UNEMPLOYMENT INSURANCE DIVISION AND CENTRALIZED SERVICES DIVISION
 SCHEDULE OF FINANCIAL POSITION - CONTINUED
 FISCAL YEAR ENDED SEPTEMBER 30, 1981

<u>Fund Ledger Description</u>	<u>Obligational Authority</u>	<u>Prior Years Cash Receipts</u>	<u>Current Year Cash Receipts</u>	<u>Total Cash Receipts</u>	<u>Funds Availab. But Not Withdr.</u>
92221 UCFE	\$ 499,345	---	\$ 499,345	\$ 499,345	---
92241 UCX	1,589,985	---	1,550,000	1,550,000	\$ 39,985
92261 TEA	2,142,980	---	2,009,522	2,009,522	133,458
92281 UCXP	15,143	---	15,143	15,143	---
92291 UI-EB/FSB FEDERAL SHARE	1,745,088	---	1,746,844	1,746,844	(1,756)
92321 UI-PSE	832,547	---	779,387	779,387	53,160
92361 DUA ADMIN	7,200	---	5,200	5,200	2,000
92371 DUA ALLOWANCES	32,800	---	19,800	19,800	13,000
92511 WIN STATE CENTRAL	264,671	---	253,635	253,635	11,036
92521 WIN LOCAL PROJECT	1,105,250	---	967,000	967,000	138,250
93011 CETA CLASSROOM TRAINING	963,087	---	910,000	910,000	53,087
93021 CETA OUT	882,616	---	760,000	760,000	122,616
93051 CETA BASIC EDUCATION	134,109	---	134,100	134,100	9
93061 CETA NATB	25,000	---	25,000	25,000	---
93071 CETA ADULT WORK EXPERIENCE	390,857	---	355,000	355,000	35,857
93081 CETA JOB FINDING CLUB	195,075	---	185,000	185,000	10,075
93091 CETA WORLD OF WORK	188,944	---	185,900	185,900	3,044
93101 CETA SERVICES	2,195,577	---	2,160,000	2,160,000	35,577
93141 CETA CEP	1,553,850	---	1,463,000	1,463,000	90,850
93161 GOVERNOR'S SPECIAL GRANT	149,685	---	124,478	124,478	25,207
93271 CETA PSE TITLE II	2,228,874	---	2,229,000	2,229,000	(126)
93281 CETA PSE TITLE VI	466,663	---	503,000	503,000	(36,337)
93291 CETA PSE TITLE VI EXTENSION	476,942	---	530,000	530,000	(53,058)
93351 CETA YETP	101,460	---	101,460	101,460	---
96181 PRIVATE INDUSTRY COUNCIL	---	---	---	---	---
96191 PINE HILLS FLP	---	---	---	---	---
96311 UNION TAT	55,000	---	55,000	55,000	---
96481 PIC-PROJECT TRANSITION	31,798	---	19,794	19,794	12,004
96611 MOES	34,000	---	32,937	32,937	1,063
96701 NAPSIP	29,221	---	26,604	26,604	2,617
97001 U.I. BENEFITS	42,164,115	---	42,061,271	42,061,271	102,844
99851 PENALTY AND INTEREST	207,100	---	207,100	207,100	---
TOTAL	<u>\$152,233,856</u>	<u>\$77,869,001</u>	<u>\$ 72,512,696</u>	<u>\$ 150,381,697</u>	<u>\$ 1,852,159</u>

<u>Prior Years Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Expenditures</u>	<u>Resources On Order</u>	<u>Total Obligations</u>	<u>Ending Liability To Sponsor</u>	<u>Unobligated Balance</u>
---	\$ 499,345	\$ 499,345	---	\$ 499,345	---	---
---	1,543,485	1,543,485	---	1,543,485	\$ 6,515	\$ 46,500
---	1,989,017	1,989,017	---	1,989,017	20,505	153,963
---	15,143	15,143	---	15,143	---	---
---	1,745,088	1,745,088	---	1,745,088	1,756	---
---	772,027	772,027	---	772,027	7,360	60,520
---	6,290	6,290	---	6,290	(1,090)	910
---	19,424	19,424	---	19,424	376	13,376
---	247,314	247,314	---	247,314	6,321	17,357
---	949,518	949,518	---	949,518	17,482	155,732
---	933,337	933,337	---	933,337	(23,337)	29,750
---	794,947	794,947	---	794,947	(34,947)	87,669
---	124,609	124,609	---	124,609	9,491	9,500
---	24,045	24,045	---	24,045	955	955
---	367,272	367,272	---	367,272	(12,272)	23,585
---	192,778	192,778	---	192,778	(7,778)	2,297
---	188,894	188,894	---	188,894	(2,994)	50
---	2,117,867	2,117,867	---	2,117,867	42,133	77,710
---	1,387,736	1,387,736	---	1,387,736	75,264	166,114
---	147,281	147,281	---	147,281	(22,803)	2,404
---	2,033,723	2,033,723	---	2,033,723	195,277	195,151
---	459,293	459,293	---	459,293	43,707	7,370
---	476,542	476,542	---	476,542	53,458	400
---	94,007	94,007	---	94,007	7,453	7,453
---	29,797	29,797	---	29,797	(29,797)	(29,797)
---	1,062	1,062	---	1,062	(1,062)	(1,062)
---	47,127	47,127	---	47,127	7,873	7,873
---	27,262	27,262	---	27,262	(7,468)	4,536
---	31,245	31,245	---	31,245	1,692	2,755
---	27,816	27,816	---	27,816	(1,212)	1,405
---	42,164,115	42,164,115	---	42,164,115	(102,844)	---
---	139,940	139,940	\$ 10,568	150,508	67,160	56,592
<u>\$78,480,181</u>	<u>\$ 72,193,898</u>	<u>\$150,674,079</u>	<u>\$ 94,021</u>	<u>\$150,768,100</u>	<u>(\$292,382)</u>	<u>\$1,465,756</u>

DEPARTMENT OF LABOR AND INDUSTRY
JOB SERVICE DIVISION
UNEMPLOYMENT INSURANCE DIVISION
CENTRALIZED SERVICES DIVISION

NOTES TO SCHEDULES
September 30, 1982

1. Basis of Preparation

All schedules except the schedule of capital projects were prepared using reports 62 and 69 of the State Employment Security Agency System (SESA). The schedule of capital projects was prepared by the auditors, using data obtained from the Department of Administration, Architecture and Engineering Division.

2. Construction-in-Progress

Construction-in-progress has been adjusted to reflect actual balances at September 30, 1981 and 1982.

AGENCY REPLY

DEPARTMENT OF LABOR AND INDUSTRY

COMMISSIONER'S OFFICE



TED SCHWINDEN, GOVERNOR

STATE CAPITOL

STATE OF MONTANA

(406) 449-3661

February 17, 1983

HELENA, MONTANA 59620

Newland, Horn, Crippen & Peck, P.C.
53 West Broadway
Butte, Montana 59701

Gentlemen:

We have reviewed the audit report by Mr. Dick Tamblyn and Associates of your staff subsequent to his examination of the accounts and programs contained in the Job Service Division, Unemployment Insurance Division and Centralized Services Division of the Department of Labor and Industry.

We found Mr. Tamblyn's examination to be comprehensive and for the most part agree with his report. The audit was completed quietly, courteously and we believe it will be helpful to our staff.

The following are our specific responses to the recommendations contained in the report.

Recommendation:

Obtain US DOL approval prior to issuance of bonds.

Our Reply:

Concur. The Regional Office was made aware of intent to build. Verbal approval was given and the Department agreed to furnish specific information after bonds were issued and contracts let.

Recommendation:

Obtain written authorization from DOL for all transfers of expenses between project codes.

Our Reply:

Approval had been given to us verbally and we requested written approval. Bob Harden of DOL gave us "bottom-line", i.e., approval to transfer between grants program. (92051 & 92101) CIDS and CETA LMI data are usually from the same base, making it difficult to determine program charges. This transfer was a correcting entry.

Recommendation:

Take appropriate measures in keeping Trust Fund solvent.

Our Reply:

We concur. This agency has submitted legislation to the 1983 legislature with the support of the Governor. Because unemployment benefits are a statutory right, there are no administrative actions that the agency can take to insure solvency.

Recommendation:

Overobligated Spending Authority.
No recommendations made by auditors

Our Reply:

This is and will continue to be an ongoing problem. Program 96181 and 96191 are reimburseable programs whereby the agency is reimbursed for actual expenditures. The other programs are issued obligational authority from the Denver Regional Office after the exact amount of the program is known.

Estimated contingency earnings and benefit payments obligational authority is given the agency at the beginning of the quarter. If the agency earns and uses more than the initial estimate, it is given the additional O.A. after the end of the quarter.

Recommendation:

Apply the approved overhead allocation consistently for all programs.

Our Reply:

Concur. All contracts should include allocated overhead.

Recommendation:

Obtain US DOL approval to expend federal moneys in payment of bonds issued for unconstructed buildings.

Our Reply:

Concur.

Recommendation:

Obtain prior written US DOL approval.

Our Reply:

This was based on an estimated projected loss of lawsuits. Regional Office was notified of our obligation. They will reply.

Recommendation:

We recommend that the department insure that programmers are properly supervised at all times and that systems maintenance procedures are strictly enforced.

Our Reply:

Concur.

Recommendation:

A. Insure the disaster back-up and recovery plan is finalized and satisfies all department systems back-up and recovery needs.

Our Reply:

Concur.

B. Consider utilizing fire detection and protection devices in the computer room.

Our Reply:

Concur.

Recommendation:

We recommend the Department develop and maintain adequate documentation, including USER manuals, for systems currently in production and for all new systems.

Our Reply:

Partially concur. All new systems are being documented, including USER manuals. Systems, programming, and operations documentation is in place for all production systems. USER manuals for all systems in production would be useful, but cost preventitive.

Recommendation:

Implement procedures whereby the daily output of employer account activity is reviewed and reconciled by a key employee not involved with input.

Our Reply:

We are changing the responsibility in Contributions Section to provide for control of tax entries into the computer system.

Recommendation:

That the Department study the feasibility of utilizing the state's computer for processing CETA and WIN payments.

Our Reply:

Concur. The Department is aware of the limitations of the payment system presently being used. It is our intention to further study the system used by the Department of Social and Rehabilitative Services for participant payments, which utilizes the state's computer. We have delayed the study because of the replacement of CETA with the Job Training Partnership Act effective October 1, 1983 and the publication of final regulations.

Recommendation:

Record the check numbers of checks pulled for subsequent verification.

Our Reply:

We will see to it that the check numbers are recorded.

Recommendation:

Instruct the local offices to insure that all wage information during the "waiting week" is obtained in the interview process.

Our Reply:

We will re-emphasize the existing policy to Job Service offices to inform the claimants that it is a requirement of the law to indicate on their claim form 203 if they have had employment during their waiting week.

Recommendation:

Fraud Control Program.

Our Reply:

- a. Concur
- b. Concur

Recommendation:

Implement procedures to include interstate claimants in the current cross-match.

Our Reply:

We are presently working with the federal government and all the states in a new interstate program called Internet. It is expected that after April 1st we will be able to start developing a cross match system with other states. Presently, there are pilot studies being made which will be available to us.

Recommendation:

Follow-up on possible employers wage reporting problems disclosed by the fraud detection section.

Our Reply:

We agree that the Fraud Investigation Bureau should refer wage conflicts to the Employer Services Bureau for audit and further investigation. Once its referrals are made, Employer Services Bureau does follow up.

Recommendation:

Consider coordinating with the other state agencies the performance of audits on out-of-state employers doing business in Montana.

Our Reply:

We are currently conducting joint audits which include Worker's Compensation and Unemployment Insurance. Discussions are being had with the Department of Revenue that would involve auditing for that agency at the same time arrangements may be made for out-of-state auditing through their corporate auditors. We currently do have out-of-state audits conducted for us by other state unemployment insurance divisions.

Recommendation:

Implement proper cash cut-off procedures.

Agency Reply:

Concur

Recommendation:

- A. Insure that stop-pays are on the computer file for each claimant included in accounts receivable.

Our Reply:

Concur. There could be some few occasions where the claim and the stop pay order cross, since we are writing checks daily. We will review our stop pay method as it relates to the unemployment claim.

- B. Insure that the accounts receivable clerk receives all information related to account changes.

Our Reply:

Concur. We were not aware that the accounts receivable clerk is not receiving all the information. Now appears this occurs (1) where collections from the Department of Revenue are involved and receive lump sum payments and where an overpayment has been waived and action inadvertently missed. We are working to improve the control of notification to the accounts receivable clerk.

- C. Completely research all accounts within OPACS to determine support for these accounts which have and have not been turned over to the Department of Revenue

Our Reply:

Concur. The OPAC system does reflect those accounts which have been turned over to Revenue for collection; however, we do not have a program to list the individual accounts that have been referred and those accounts that have been retained. We are having a program written to provide these lists.

Recommendation:

Revise combined wage claim billings to reflect any revised determinations.

Our Reply:

We are presently revising the combined wage claim redetermination and will be putting a system in place to revise the billing of combined wage claims.

Recommendation:

- A. Rectify the alleged overpayment with the individual and not allow situations such as this to occur in the future; and;
- B. Continue to consult with the Department of Revenue in turning CETA and WIN overpayments over to them. This action will help to improve collection efforts.

Our Reply:

- A. We do not believe this case necessitates a hearing as requested by the participant, but is a matter to be resolved with the grantor agency. Therefore, it is our intent to resolve the \$1223 CETA overpayment with the Grant Officer, U.S. Department of Labor, Employment and Training Administration, Denver Regional Office. The participant at the time of the overpayment possessed minimal language skills and relied on a welfare case-worker to get through the ADC and CETA systems. There was no indication on the part of the participant of any fraudulent behavior. The participant will be informed of our decision.
- B. We will continue to consult with the Department of Revenue in turning CETA and WIN overpayments to them for collection. With the new Job Training Partnership Act and increased utilization of the state's computer, the incidence of overpayment could be significantly reduced.

Recommendation:

Determine most informative and logical year-end for reporting purposes.

Our Reply:

Our state budget is on a July 1 - FY
Our federal budget is on a Oct 1 - FY
The President's budget proposes changing Job Training to a Jan 1 - FY

This has been and will be an ongoing concern as we are in essence now keeping two sets of books. Until there is a relaxation on one or the other requirements, continuance seems imminent.

